

Message Text

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ACTION AF-18

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SUBJECT: LAGOS MEETING OF AFRICAN CENTRAL BANKS - AUGUST 20-24

REF: LAGOS 6734

1. SUMMARY: LAGOS CONFERENCE OF ASSOCIATION OF AFRICAN CENTRAL BANKS STRESSED THEME OF ATTAINING UNIFIED AFRICAN STANCE PRIOR TO CAIRO IMF MEETING. SAVE FOR STRONG STATEMENT ON NEED FOR SDR/AID LINK, NO DETAILED PROPOSALS WERE RAISED. A "TECHNICAL COMMITTEE", HOWEVER, WAS FORMED WITH AIM OF EXPLORING DETAILS AND IMPLICATIONS FOR AFRICA OF REFORMING GLOBAL MONETARY SYSTEM. IN MEETING WITH DELEGATES, GENERAL GOWON URGED THEM TO EXPLORE ESTABLISHMENT OF "AFRICAN CURRENCY." END SUMMARY

2. NEED FOR AFRICAN UNITY IN APPROACHING INTERNATIONAL MONETARY REFORM WAS CENTRAL THEME OF ADDRESSES PRESENTED AT OPENING, PUBLIC MEETING OF AFRICAN ASSOCIATION OF CENTRAL BANKS MEETING IN LAGOS. SPEECH BY NIGERIAN FINANCE COMMISSIONER, SHEHU SHAGARI, STRESSED THAT "IN RECENT MONTHS AFRICAN COUNTRIES HAVE REALIZED NEED FOR COMMON STAND ON MATTERS OF TRADE AND RELATED ISSUES WITH EEC." HE NOTED THAT AFRICAN NATIONS WERE DEFENSELESS IN FACE OF STEADY DETERIORATION OF INTERNATIONAL MONETARY SYSTEM"

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AND EXHORTED CONFERENCE PARTICIPANTS "TO MAKE AFRICAN OPINION

FELT"AT FORTHCOMING IMF MEETING INNAIROBI. IN SEPARATE OPENING ADDRESS, AACB VICE CHAIRMAN, ATO MEOSRLN BTEMMA OF NATIONAL BANK OF ETHIOPIA, CONCLUDED NECESSITY OF ADOPTING "TRULY HOMOGENEOUS ECONOMIC FRONT" SINCE "ONLY SOLIDARITY CAN SAFEGUARD INTERESTS OF OUR COUNTRIES."

3. STRONGEST STATEMENT CONTAINED IN PRESS COMMUNIQUE RELEASED AT CLOSE OF CONFERENCE STRUCK ON NEED FOR SDR/AID LINK. AACB "NOTED VALIDITY OF ARGUMENTS FOR LINKING ALLOCATION OF SDRS WITH DEVELOPMENT FINANCE" AND STRESSED THAT ITS MEMBERS "WOULD FIND IT DIFFICULT TO ADVISE THEIR GOVERNMENTS TO RATIFY NEW ARTICLES OFIP FUND WHICH DO NOT PROVIDE FOR SUCH A LINK."

4. ALTHOUGH NO SPECIFIC NEW MECHANISM FOR INTERNATIONAL ADJUSTMENT PROCESS WAS PROPOSED, AACB CONCLUDED THAT SPECIAL CONSIDERATION SHOULD BE GIVEN TO NEEDS OF DEVELOPING COUNTRIES AND THAT "FLOW OF DEVELOPMENT RESOURCES TO DEVELOPING COUNTRIES SHOULD NOT BE IMPEDED BY ANY ADJUSTMENT DECISIONS ADOPTED BY DEVELOPED COUNTRIES." FINAL COMMUNIQUE URGED THAT "RESERVE CURRENCY COUNTRIES WOULD HAVE TO COME UNDER RIGOROUS SUEILLANCE WITH RESPECT TO THEIR EXTERNAL AND DOMESTIC POLICIES."

5. REGARDING RESERVE MANAGEMENT UNDER REFORMED SYSTEM, AACB ALSO EMPHASIZED SPECIAL ATTENTION TO LDC PROBLEMS. IN PARTICULAR, "SPECIAL CONSIDERATION" SHOULD BE GRANTED TO RESERVE BALANCES OF THOSE LDCS POSSESSING "DEPLETABLE NATURAL RESOURCES." CONSENSUS OF AACB IS FOR MAKING SDRS "THE PRINCIPAL AND MAIN RESERVE ASSET AND NUMERAIRE OF REFORMED SYSTEM"... WITH GOLD..."PLAYING A DIMINISHING ROLE." CONFERENCE COMMUNIQUE ALSO SUPPORTS STRENGTHENING EXECUTIVE BOARD OF FUND TO ASSURE THAT IT HAS "POLITICAL STATURE AND ABILITY TO PERFORM ITS FUNCTIONS, INCLUDING IMPOSITION OF SYMMETRICAL PRESSURES ON DEFICIT AND SURPLUS COUNTRIES."

6. ON INSTITUTIONAL LEVEL, AACB LAGOS CONFERENCE AGREED UPON ESTABLISHING A "TECHNICAL COMMITTEE" COMPOSED OF RESEARCH DIRECTORS OF AFRICAN CENTRAL BANKS TO EXAMINDSETTING UP AN "AFRICAN CENTER FOR MONETARY STUDIES." A SEPARATE AD HOC COMMITTEEROF EXPERTS DESIGNATED BY EXECUTIVE COMMITTEE OF AACB WILL OVERSEE STUDIES UNDERTAKEN BY SECRETARIAL REGARDING IMPACT OF INTERNATIONAL LIMITED OFFICIAL USE

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MONETARY DEVELOPMENTS ON AFRICAN COUNTRIES AND PROPOSALS FOR INTERNATIONAL MONETARY REFORM.

7. IN MID-CONFERENCE, GENERAL GOWON ALSO TOOK OCCASION TO RECEIVE CENTRAL BANK GOVERNORS. NO DETAILED PROPOSALS WERE RAISED AT THIS MEETING, BUT GOWON DID EXHORT CENTRAL BANKERS TO EXPLORE ESTABLISHING "AN AFRICAN CURRENCY" SAYING THAT "OUR CURRENCIES PUT TOGETHER WILL BE ONE OF STRONGEST IN WORLD". IN RESPONSE,

CHAIRMAN OF AACB REPLIED THAT ESTABLISHING "AN AFRICAN RESERVE CURRENCY IN THE FUTURE WAS FEASIBLE", BUT VOLUNTEERED NO DETAILS ON PRECISE NATURE OF THIS RESERVE INSTRUMENT.

8. COMMENT: ARRIVING AT AGREEMENT ON NEED FOR SDR/AID LINK (AS PREDICTED REFTTEL) WAS EASY TO OBTAIN. ARRIVING AT AGREEMENT ON SPECIFIC DETAILS AND MECHANICS OF NEW GLOBAL MONETARY SYSTEM WILL APPARENTLY BE TASK OF ONGOING RESEARCH COMMITTEE. WITH NO TROUBLESOME AND DIVISIVE ISSUES SUCHAS "REVERSE PREFERENCES" TO FACE IN THE MONETARY FIELD, A UNIFIED AFRICAN STANCE ON MONETARY REFORM SHOULD HAVE SOMEWHAT BETTER PROSPECTS OF ACHIEVEMENT THAT AFRICA'S SIMILAR "UNIFIED POSITION" ON EEC ASSOCIATION. REINHARDT

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